

HDFC Bank (HDFCB IN)

Rating: BUY | CMP: Rs931 | TP: Rs1,150

January 18, 2026

Q3FY26 Result Update

☒ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current	Previous		
	FY27E	FY28E	FY27E	FY28E
Rating	BUY	BUY		
Target Price	1,150	1,150		
NII (Rs. m)	14,98,555	17,07,198	14,96,955	17,09,037
% Chng.	0.1	(0.1)		
Op. Profit (Rs. m)	12,48,40214	14,25,28112	13,388714	14,03,722
% Chng.	1.2	1.5		
EPS (Rs.)	54.9	62.7	54.2	61.7
% Chng.	1.3	1.5		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII (Rs bn)	1,227	1,293	1,499	1,707
Op. Profit (Rs bn)	1,001	1,196	1,248	1,425
PAT (Rs bn)	673	752	844	964
EPS (Rs.)	44.0	48.9	54.9	62.7
Gr. (%)	4.6	11.1	12.2	14.2
DPS (Rs.)	11.0	12.2	13.7	15.7
Yield (%)	1.2	1.3	1.5	1.7
NIM (%)	3.5	3.3	3.5	3.6
RoAE (%)	14.3	14.2	14.3	14.6
RoAA (%)	1.8	1.8	1.9	1.9
P/BV (x)	2.8	2.6	2.3	2.1
P/ABV (x)	2.9	2.6	2.4	2.1
PE (x)	21.2	19.0	17.0	14.9
CAR (%)	19.6	19.6	19.3	19.4

Key Data

HDBK.BO | HDFCB IN

52-W High / Low	Rs.1,021 / Rs.811
Sensex / Nifty	83,570 / 25,694
Market Cap	Rs.14,325bn / \$ 1,57,642m
Shares Outstanding	15,385m
3M Avg. Daily Value	Rs.20880.98m

Shareholding Pattern (%)

Promoter's	-
Foreign	48.39
Domestic Institution	36.26
Public & Others	15.35
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.4)	(6.5)	13.0
Relative	(5.1)	(7.5)	4.2

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Good quarter; LDR dynamic a key monitorable

Quick Pointers:

- Core PAT beat due to reversal in contingent provisions and better NII.
- See loan growth of 12% each in FY27/28E; LDR target of 90% by FY27E intact.

HDFCB saw good quarter as core PAT at Rs156.5bn beat PLe by 5.9% due to lower provisions. NII was 1.2% ahead of PLe led by better reported NIM which increased by 8bps QoQ compared to stable NIM for ICICIB. Asset quality was healthy led by lower net slippage and contingent provision reversal of Rs10.4bn driven by better credit performance by a large corporate. Bank expects system to grow by 12-13% in FY27E and it maintained its guidance of growing above system with LDR slated to touch ~90%. We are bit circumspect and factor a ~12% loan CAGR over FY26-28E, since to meet its guidance bank would have to capture incremental deposit market share of 20%+ which may not be easy in the current environment. We keep multiple at 2.5x on Sep'27 core ABV and maintain SOTP based TP at Rs1,150. Retain 'BUY'.

Good quarter with better NIM and asset quality: NII was higher at Rs326.2bn (PLe Rs322.4bn) due to slightly better NIM (calc.) which came in at 3.51% (PLe 3.48%); reported NIM improved by 8bps QoQ to 3.51%. Loan/deposit growth were in-line at 12.0%/11.6% YoY. CASA ratio fell to 33.6% (33.9% in Q2'26). LDR was 98.7% (98% in Q2'26). Other income was lower at Rs132.5bn although fees were in-line at Rs106.6bn. Opex at Rs187.7bn was in-line; higher staff cost was offset by lower other opex; labour code impact was Rs8bn. Core PPoP at Rs245bn was 1.3% higher; PPoP was Rs271bn (PLe Rs281.1bn). GNPA was lower at 1.24% (PLe 1.28%) due to net slippages. Gross slippage was better at Rs86bn (PLe Rs96.8bn); recoveries were Rs45bn (PLe Rs42bn). Provisions were lower at Rs28.4bn (PLe Rs35bn) due to release in contingent provision of Rs10.4bn. Core PAT was 5.9% above PLe at Rs166.6bn; PAT was Rs186.5bn.

Lesser retail growth affects credit accretion: Loan growth was soft at 2.7% QoQ due to muted offtake of 1.2% in retail (incl. agri). However, credit offtake was healthy in small/mid-market (+4.9%) and corporate (4.1%). Unsecured growth (PL+CC) is yet to pick up (+1.3%) due to lesser spending by customer segment (higher-end) bank caters to. Bank estimates system to grow by 12-13% YoY in FY27E, and it has maintained its guidance of above system level loan growth in FY27E. Increase in LDR was a quarterly aberration and guidance to reach LDR of ~90% by FY27 was intact; bank reiterated that there is no regulatory requirement to reach a certain level of LDR.

NIM supported by CRR cut/balance sheet management: Impact of Dec'25 rate cut of 25bps was partly seen in Q3'26 which was offset by CRR cut. As deposit growth picks up in Q4'26, and as EBLR book reprices lower led by part effect of repo cut, we expect NIM to soften QoQ for system and HDFCB. Contingent provisions were reversed as a large borrower group fulfilled certain conditions which was partly offset by provision of Rs5bn related to re-classification PSL portfolio following RBI supervision. Hence, overall buffer provisions stood at 131bps (139bps in Q2'26) vs 89bps for ICICIB.

Exhibit 1: PAT at Rs187bn impacted by higher staff cost due to Labour Code

Financials (Rs m)	Q3FY26	Q3FY25	YoY gr. (%)	Q3FY26E	% Var.	Q2FY26	QoQ gr (%)
Interest income	7,67,512	7,60,069	1.0	7,73,155	(0.7)	7,66,907	0.1
Interest Expended	4,41,362	4,53,536	(2.7)	4,50,724	(2.1)	4,51,392	(2.2)
Net interest income	3,26,150	3,06,533	6.4	3,22,430	1.2	3,15,515	3.4
Other income	1,32,538	1,14,536	15.7	1,45,768	(9.1)	1,43,500	(7.6)
-Fee Income	1,06,600	95,800	11.3	1,06,568	0.0	1,04,300	2.2
-Other non interest income	25,938	18,736	38.4	39,200	(33.8)	39,200	(33.8)
Total income	3,52,088	3,25,268	8.2	3,61,630	(2.6)	3,54,715	(0.7)
Operating expenses	1,87,710	1,71,064	9.7	1,87,086	0.3	1,79,779	4.4
-Staff expenses	72,032	59,504	21.1	67,844	6.2	64,613	11.5
-Other expenses	1,15,679	1,11,560	3.7	1,19,242	(3.0)	1,15,166	0.4
Operating profit	2,70,978	2,50,004	8.4	2,81,113	(3.6)	2,79,236	(3.0)
Core operating profit	2,45,040	2,31,268	6.0	2,41,913	1.3	2,40,036	2.1
Total provisions	28,379	31,539	(10.0)	35,005	(18.9)	35,005	(18.9)
Profit before tax	2,42,599	2,18,466	11.0	2,46,107	(1.4)	2,44,231	(0.7)
Tax	56,062	51,111	9.7	59,066	(5.1)	57,818	(3.0)
Profit after tax	1,86,538	1,67,355	11.5	1,87,042	(0.3)	1,86,413	0.1
Balance sheet (Rs m)							
Deposits	2,86,00,546	2,56,37,950	11.6	2,85,95,000	0.0	2,80,17,888	2.1
Advances	2,82,14,465	2,51,82,482	12.0	2,82,11,406	0.0	2,74,63,598	2.7
Profitability ratios							
YoA – Calc	9.0	9.7	(67)	8.9	11	9.0	(6)
CoF – Calc	5.4	6.0	(54)	5.5	(13)	5.6	(23)
NIM – Calc	3.5	3.6	(7)	3.5	3	3.5	4
RoaA – Calc	1.9	1.8	6	1.9	(1)	1.9	(4)
RoaE - Calc	14.6	14.8	(24)	14.7	(13)	15.1	(57)
Asset Quality							
Gross NPL (Rs mn)	3,51,790	3,60,186	(2.3)	3,65,026	(3.6)	3,42,895	2.6
Net NPL (Rs mn)	1,19,818	1,15,875	3.4	1,09,508	9.4	1,14,473	4.7
Gross NPL ratio	1.2	1.4	(18)	1.3	(5)	1.2	(0)
Net NPL ratio	0.4	0.5	(4)	0.4	4	0.4	1
Coverage ratio – Calc	65.9	67.8	(189)	70.0	(406)	66.6	(68)
Business & Other Ratios							
Low-cost deposit mix	33.6	34.0	(43)	33.6	0	33.9	(27)
Cost-income ratio	40.9	40.6	30	40.0	96	39.2	176
Non int. inc / total income	28.9	27.2	169	31.1	(224)	31.3	(237)
Credit deposit ratio	98.7	98.2	43	98.7	(1)	98.0	63
CAR	19.9	20.0	(10)	-		20.0	(10)
Tier-I	17.8	18.0	(20)			17.9	(10)

Source: Company, PL.

Q3FY26 Concall Highlights

Balance Sheet

- Crop cycles have improved aided by water reservoir levels. Manufacturing PMI continues to be in expansion phase. Service sector did well on consumption side. Discretionary credit card spending has gone up by 21% YoY while non-discretionary was up by 13% YoY. In auto, 4W and tractor did well in Q3FY26.
- Bank has maintained its guidance of exceeding system loan growth for FY27. Management expects system growth to be between 12-13% for FY27 and banks expects 100-200bps points above system growth.
- On the deposit side bank witnessed mid-single digit growth in institutional deposits and at individual level it was a good double-digit growth.
- Glidepath to reduce LDR continues. Bank expects to bring down LDR to 90-96% for FY26 and between 85-90% for FY27. Bank reiterated that there is no regulatory requirement to reach a certain LDR.
- LCR was 116%. Bank does not expect major impact from new RBI regulations.
- Management looks at CC receivables as an enabler for on-boarding liabilities. Out of the total deposit basket, 20-25% is contributed by CC customers.

Profit & Loss

- Bank holds 6% share in country's branch network with 11% share in deposits, which suggests more potential to expand branches. Branch productivity increased from ~Rs2.3bn between FY19-23 to Rs3bn in Q3FY26. Branches in metro and urban areas typically break even in 22 months whereas rural and semi urban branches take ~27 months.
- Branch scales up by 3 times once it reaches the bucket of 5-10 years, 10 times once it reaches 10-15 years. Bank has 1,232 branches in 5-10 years bucket and 1,300 branches in 3-5 years bucket. New branches contribute 20% overall incremental business. Bank plans to add 500-700 branches on annual basis.

Asset Quality

- RBI regulatory inspection is complete and bank has taken an impact of Rs5bn related to PSL classification post the review in Q3FY26.
- Bank reiterated that they do not see any stress in any of the segments and asset quality continues to be pristine.
- Net of recoveries credit costs stood at 37bps.

Retail loans witnessed growth at 6.3% YoY/1.3% QoQ.

Corporate loans grew at 4.1% QoQ.

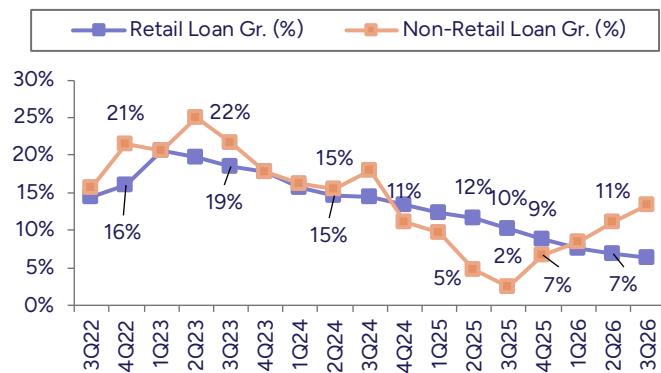
Agri loans grew by 0.3% QoQ.

Exhibit 2: CRB (+4.9% QoQ) and Corporate (4.1% QoQ) were key growth drivers

Loan Composition (Rs mn)	Q3FY26	Q3FY25	YoY gr. (%)	Q2FY26	QoQ gr. (%)
Corporate	77,17,000	69,98,000	10.3	74,16,000	4.1
CRB	59,96,000	51,14,000	17.2	57,18,000	4.9
Agri	12,38,000	10,76,000	15.1	12,34,000	0.3
Retail	1,45,09,000	1,36,51,000	6.3	1,43,20,000	1.3
PL	21,17,000	19,44,000	8.9	20,63,000	2.6
Auto	15,27,000	13,99,000	9.1	15,15,000	0.8
Mortgages	87,07,000	81,71,000	6.6	85,65,000	1.7
CC	11,36,000	11,23,000	1.2	11,48,000	(1.0)
2Wheelers	1,19,000	1,22,000	(2.5)	1,25,000	(4.8)
Gold	2,15,000	1,67,000	28.7	2,01,000	7.0
Other Retail	6,88,000	7,25,000	(5.1)	7,03,000	(2.1)
Total Advances	2,84,45,000	2,54,26,000	11.9	2,76,91,000	2.7

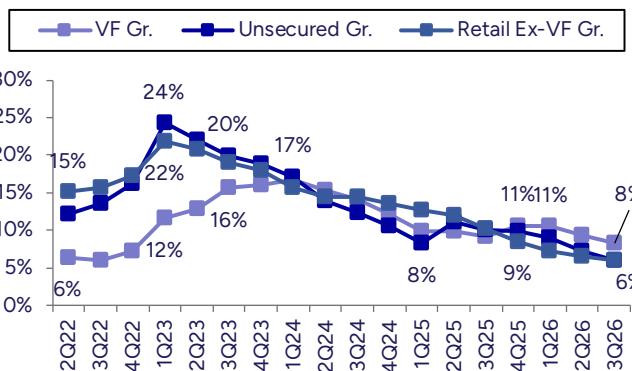
Source: Company, PL *Corporate incl HDFCL Non-Ind

Exhibit 3: Retail book growth at 6% YoY



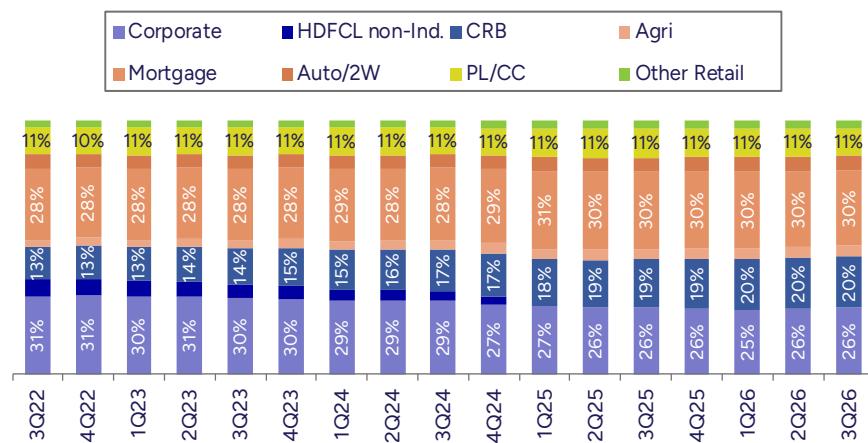
Source: Company, PL

Exhibit 4: Vehicle Finance growth declined to 8% YoY



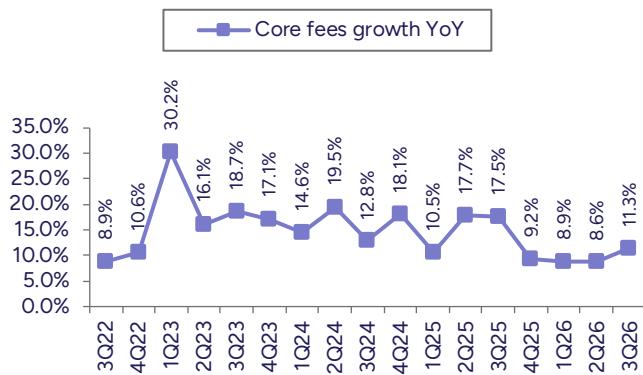
Source: Company, PL

Exhibit 5: Product-wise advances as percentage of total loans



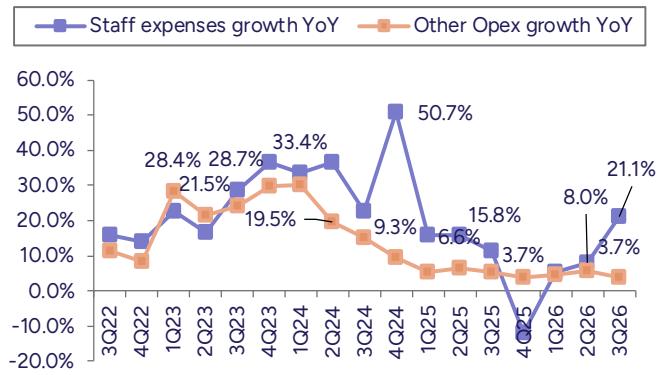
Source: Company, PL

Exhibit 6: Fee income growth increased to 11.3% YoY



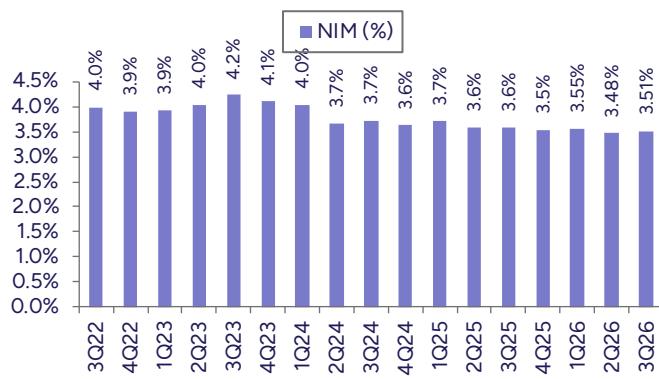
Source: Company, PL

Exhibit 7: Staff cost soared to 21.1% YoY due to Labour Code



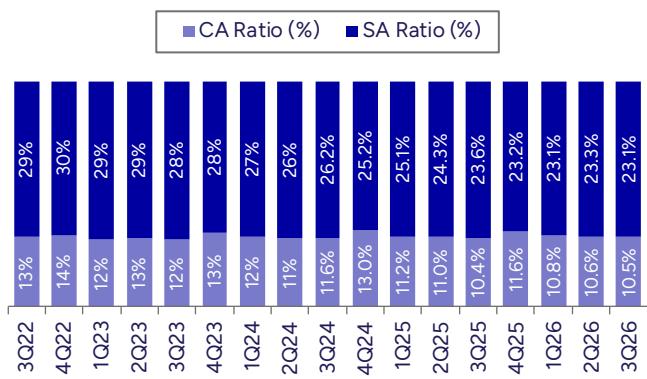
Source: Company, PL

Exhibit 8: NIM increased to 3.51%



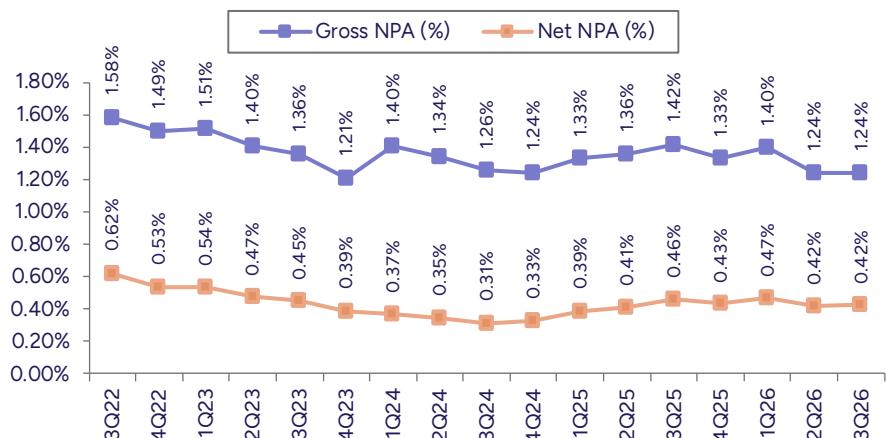
Source: Company, PL

Exhibit 9: CASA steady sequentially at 33.6%



Source: Company, PL

Exhibit 10: GNPA/NNPA at 1.24%/0.42%. PCR reduced to 65.9%



Source: Company, PL

Exhibit 11: Return ratios to range between 14-15%

RoA decomposition	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Interest income	7.6	6.9	7.4	8.1	8.0	7.6	7.4	7.3
Interest expenses	3.9	3.3	3.8	4.7	4.7	4.5	4.1	3.9
Net interest income	3.7	3.6	3.6	3.4	3.3	3.2	3.3	3.4
Other Inc. from operations	1.3	1.2	1.1	1.5	1.2	1.6	1.3	1.2
Total income	4.9	4.8	4.8	4.8	4.5	4.7	4.6	4.6
Employee expenses	0.5	0.5	0.6	0.7	0.6	0.7	0.6	0.6
Other operating expenses	1.1	1.1	1.2	1.2	1.2	1.1	1.2	1.2
Operating profit	3.3	3.2	3.0	2.9	2.7	2.9	2.8	2.8
Tax	0.5	0.5	0.5	0.3	0.6	0.5	0.6	0.6
Loan loss provisions	0.9	0.7	0.5	0.7	0.3	0.6	0.3	0.3
RoAA	1.84	1.89	1.92	1.89	1.79	1.84	1.87	1.91
RoAE	14.5	14.9	15.8	15.6	14.3	14.2	14.3	14.6

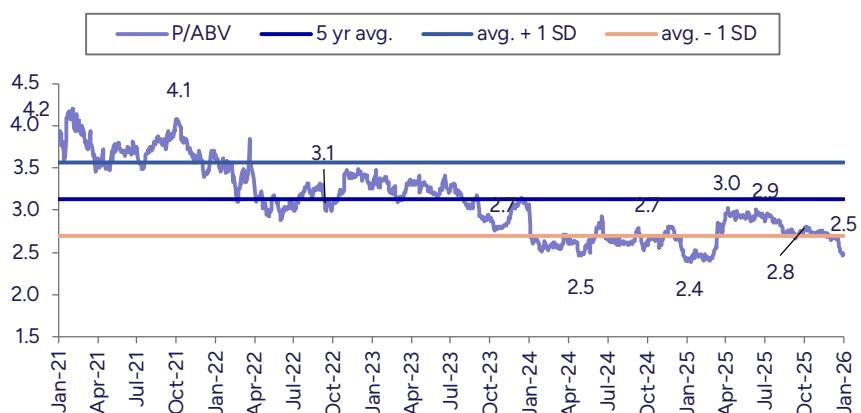
Source: Company, PL

Exhibit 12: SOTP valuation of Rs1,150, core bank valued at 2.5x on Sept'27E

Particulars	Stake	Rs per share	% of total	Valuation (x)	Basis
Standalone	100.0%	1,025	88.1	2.5	Sep'27 Core ABV
HDFC Life	50.2%	52	4.4	1.00	Mkt Cap
HDFC AMC	52.4%	43	3.7	37.00	Sep'27E core PAT
HDB Financials	74.2%	31	2.6	1.00	Mkt Cap
HDFC Ergo	50.3%	7	0.6	40.00	Mar'25 PAT
HSL	94.1%	6	0.5	10.00	Mar'25 PAT
Total		1,164	100.0		
Holdco discount		14			
Target Price		1,150			

Source: Company, PL

Exhibit 13: HDFCB 1-year forward P/ABV trades at 2.5x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Int. Earned from Adv.	23,84,444	24,06,559	25,56,646	28,17,548
Int. Earned from invt.	5,33,197	6,15,397	6,89,485	7,66,201
Others	62,466	62,609	64,665	67,291
Total Interest Income	30,05,170	31,08,559	33,32,153	36,73,954
Interest Expenses	17,78,470	18,15,797	18,33,598	19,66,756
Net Interest Income	12,26,701	12,92,761	14,98,555	17,07,198
Growth(%)	3.1	14.5	7.1	13.1
Non Interest Income	4,56,323	6,34,295	5,64,443	6,26,492
Net Total Income	16,83,024	19,27,057	20,62,998	23,33,690
Growth(%)	6.8	8.1	4.1	10.4
Employee Expenses	2,39,005	2,65,458	2,84,757	3,09,566
Other Expenses	4,42,744	4,65,253	5,29,840	5,98,843
Operating Expenses	6,81,749	7,30,710	8,14,596	9,08,409
Operating Profit	10,01,275	11,96,346	12,48,402	14,25,281
Growth(%)	1.4	19.5	4.4	14.2
NPA Provision	1,28,031	1,41,796	1,31,590	1,49,815
Total Provisions	1,16,494	2,36,704	1,37,701	1,56,765
PBT	8,84,781	9,59,643	11,10,701	12,68,516
Tax Provision	2,11,307	2,07,624	2,66,568	3,04,444
Effective tax rate (%)	23.9	21.6	24.0	24.0
PAT	6,73,474	7,52,018	8,44,133	9,64,072
Growth(%)	5.4	11.7	12.2	14.2

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Interest Income	7,67,601	7,74,702	7,66,907	7,67,512
Interest Expenses	4,53,943	4,60,322	4,51,392	4,41,362
Net Interest Income	3,13,658	3,14,380	3,15,515	3,26,150
YoY growth (%)	7.9	5.4	4.8	6.4
CEB	85,300	76,000	88,400	92,300
Treasury	-	-	-	-
Non Interest Income	1,20,279	2,17,298	1,43,500	1,32,538
Total Income	4,33,937	5,31,678	4,59,015	4,58,688
Employee Expenses	61,159	61,580	64,613	72,032
Other expenses	1,14,410	1,12,759	1,15,166	1,15,679
Operating Expenses	1,75,570	1,74,338	1,79,779	1,87,710
Operating Profit	2,58,367	3,57,340	2,79,236	2,70,978
YoY growth (%)	(11.7)	49.6	13.0	8.4
Core Operating Profits	2,37,788	2,32,041	2,40,036	2,45,040
NPA Provision	-	-	-	-
Others Provisions	31,931	1,44,416	35,005	28,379
Total Provisions	31,931	1,44,416	35,005	28,379
Profit Before Tax	2,26,437	2,12,923	2,44,231	2,42,599
Tax	57,275	31,371	57,818	56,062
PAT	1,69,161	1,81,552	1,86,413	1,86,538
YoY growth (%)	2.4	12.2	10.8	11.5
Deposits	2,71,47,149	2,76,41,000	2,80,17,000	2,86,00,546
YoY growth (%)	14.1	16.2	12.1	11.6
Advances	2,61,96,086	2,62,84,342	2,74,63,598	2,82,14,465
YoY growth (%)	5.4	6.7	10.1	12.0

Balance Sheet (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Face value	1	1	1	1
No. of equity shares	15,304	15,385	15,385	15,385
Equity	15,304	15,385	15,385	15,385
Networth	50,14,246	55,75,064	62,08,164	69,61,202
Growth(%)	13.9	11.2	11.4	12.1
Adj. Networth to NNPAs	1,13,204	1,17,300	1,27,275	1,52,173
Deposits	2,71,47,149	3,03,01,160	3,45,16,453	3,91,60,652
Growth(%)	14.1	11.6	13.9	13.5
CASA Deposits	94,45,602	1,04,07,775	1,23,01,258	1,45,39,505
% of total deposits	34.8	34.3	35.6	37.1
Total Liabilities	3,91,01,989	4,24,56,503	4,76,00,338	5,33,27,566
Net Advances	2,61,96,086	2,90,89,113	3,25,83,532	3,64,97,728
Growth(%)	5.4	11.0	12.0	12.0
Investments	83,63,597	93,93,360	1,07,00,101	1,21,39,802
Total Assets	3,91,01,989	4,24,56,503	4,76,00,338	5,33,27,566
Growth (%)	8.1	8.6	12.1	12.0

Key Ratios

Y/e Mar	FY25	FY26E	FY27E	FY28E
CMP (Rs)	931	931	931	931
EPS (Rs)	44.0	48.9	54.9	62.7
Book Value (Rs)	328	362	404	452
Adj. BV (70%)(Rs)	320	355	395	443
P/E (x)	21.2	19.0	17.0	14.9
P/BV (x)	2.8	2.6	2.3	2.1
P/ABV (x)	2.9	2.6	2.4	2.1
DPS (Rs)	11.0	12.2	13.7	15.7
Dividend Payout Ratio (%)	-	-	-	-
Dividend Yield (%)	1.2	1.3	1.5	1.7

Efficiency

Y/e Mar	FY25	FY26E	FY27E	FY28E
Cost-Income Ratio (%)	40.5	37.9	39.5	38.9
C-D Ratio (%)	96.5	96.0	94.4	93.2
Business per Emp. (Rs m)	223	224	236	244
Profit per Emp. (Rs lacs)	28	28	30	31
Business per Branch (Rs m)	5,642	5,848	6,181	6,548
Profit per Branch (Rs m)	71	74	78	83

Du-Pont

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII	3.26	3.17	3.33	3.38
Total Income	4.47	4.73	4.58	4.62
Operating Expenses	1.81	1.79	1.81	1.80
PPoP	2.66	2.93	2.77	2.82
Total provisions	0.31	0.58	0.31	0.31
RoAA	1.79	1.84	1.87	1.91
RoAE	14.30	14.20	14.33	14.64

Source: Company Data, PL Research

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Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-26	BUY	1,150	949
2	19-Oct-25	BUY	1,150	1,003
3	07-Oct-25	BUY	1,075	983
4	20-Jul-25	BUY	2,150	1,957
5	07-Jul-25	BUY	2,125	1,987
6	23-Jun-25	BUY	2,125	1,965
7	21-Apr-25	BUY	2,125	1,907
8	08-Apr-25	BUY	1,950	1,758
9	23-Jan-25	BUY	1,950	1,666

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	BUY	1,425	1,296
2	Bank of Baroda	BUY	300	308
3	Canara Bank	Hold	160	153
4	Canara Robeco Asset Management Company	BUY	325	311
5	City Union Bank	BUY	265	291
6	DCB Bank	BUY	155	182
7	Federal Bank	BUY	250	259
8	HDFC Asset Management Company	BUY	2,950	2,554
9	HDFC Bank	BUY	1,150	949
10	ICICI Bank	BUY	1,800	1,428
11	ICICI Prudential Asset Management Company	BUY	3,300	2,736
12	IndusInd Bank	Hold	840	898
13	Kotak Mahindra Bank	BUY	496	429
14	Nippon Life India Asset Management	BUY	930	893
15	State Bank of India	BUY	1,100	1,007
16	Union Bank of India	BUY	200	179
17	UTI Asset Management Company	Accumulate	1,250	1,135

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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